Christy Insurance Agencies Ltd.

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The Insurance Insider

Getting value out of your drug plan

INSIDE THIS ISSUE:

"...lower prices for generic drugs should continue to keep drug spending increases low."

While growth in drug plan spending is forecast to remain in low single digits over the next few years, plan sponsors could do more to ensure value for the dollars they spend.

That was one of the key messages relayed at the Face-to-Face Drug Plan Management Forum held last week in Vancouver.

Although the current drug spending growth rate is considered benign after declines in recent years, Michael Brogan, president of IMS Brogan, noted that plan sponsors are concerned about the impact of high-priced biologics and an aging population.

But lower prices for generic drugs should continue to keep drug spending increases low. Based on a study commissioned by Rx&D, Brogan explained that the drug spending growth rate is forecast to range between 1.6% and 2.8% up to 2017.

Eric Lun, executive director, drug intelligence, at BC PharmaCare, pointed out that government policies are working to drive down drug prices while still allowing patients access to value-added medicines to support positive health outcomes.

"Public and private payers are part of the same healthcare system," he said. "We share a common goal of ensuring sustainability, and we need to work together."

The guiding principles of moving from an open to a managed drug plan formulary was presented by Renzo Del Negro, associate executive director of the BC Public Schools Employers' Association, a multi-employer bargaining and HR agency.

"Educating plan members was an important part of changing the plan," he said. "Members don't understand drug pricing, dispensing fee caps or markups. We had to educate them so they would understand that the new plan is not an inferior plan and by lowering costs there is more money for other things."

-BenefitsCanada

Looking to Change Benefit Advisors?

Today's plan sponsors and administrators are being pursued more aggressively than ever. Some might feel as if they've been painted with some sort of target, given the number of phone calls they receive every day from brokers and telemarketing firms. The offers sound too good to ignore, and, in many cases, one might be tempted to give in. But what happens when a plan administrator or sponsor says yes?

The question is, What, exactly, have you approved?

Perhaps you have agreed to grant a sales representative permission to review your plan and make recommendations? Perhaps you granted authority to take over your plan by issuing an agent of record (AOR) letter? Based on the amount of confusion surrounding these two very different letters of engagement, it seems likely many plan sponsors are not aware of the difference and the actions set in motion once either of these letters has been penned.

Plan sponsors must be aware that an AOR letter, if granted, will start the process of moving responsibility to manage the plan to a new advisor. This may eventually lead to additional changes being recommended that were not first anticipated. Permission to review a plan only grants access to the plan's carriers who will be asked to provide plan design and claims data on receipt of authorization directing them to co-operate. The new broker will make recommendations to the sponsor based on their review in order to establish themselves as a better option than the incumbent broker.

Often, a carrier will contact the incumbent advisor to give them adequate notice that their position as the plan's advisor is being challenged, offering them the chance to find out what the sponsor's true intentions are. Their first action will be to contact the sponsor to ask if there are any unresolved issues and make sure the sponsor understands the nature of the letter they signed.

The process may be pre-empted at this point.

The responsibility to manage the client advisor relationship rests principally with the advisor. Advisors must deliver value, but sponsors must communicate their needs and provide feedback. This finely tuned communications balance is what maintains strong and long-lasting business relationships.

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But things go wrong and sometimes a change of advisor is warranted.

Plan sponsors need to develop a strategy for finding their new advisor and a game plan for the future of their plan. Sponsors need to check references and make sure of the fit between them and the new advisor being considered. A meeting of the minds is vital in both strategy and expectations of service.

A sponsor that demands ongoing contact and the highest levels of service must recognize the costs associated with meeting those expectations. Advisors who willingly accept business on these terms must be prepared to honour their end of the bargain. Advisors should communicate openly whether or not they support only a handful of carriers or if they represent a broader entire market in order to find the right fit. Both marketing approaches may work well for the sponsor, but full disclosure is of key importance and only fair to everyone.

Sponsors must do this work up front and select their champion, much the same way we all select only one real estate agent with whom we list our house for sale. Insurance carriers and benefits providers deal with only one broker to be sure they are dealing with the advisor empowered to act on the sponsor's behalf. While carriers will support advisors by preparing proposals and quotes to help them win business, the costs are too great to support more than one proposal per sponsor. Only one AOR will be recognized. Only one broker's quote response should be prepared.

On approval, a new AOR letter will be granted the newly appointed agent. At this time it will be presented to the carrier. Carriers will honour the existing advisor relationship and notify the incumbent broker that responsibility for the plan (and any associated compensation) is about to be moved and provide the incumbent with a period of up to 10 business days to provide them with the chance to retain the business.

Incumbent advisors may elect to waive their rights and simply bid their former clients well in their new relationship. If the business cannot be retained by the incumbent, then the carrier will usually assign responsibilities to the newly appointed agent.

Advisors must bring something of value to the table, beyond promising to save a certain percentage of the billed premium. Business won on deep discounted pricing alone may be more prone to dramatic increases in rates on renewal as carriers move to recoup their losses. Sponsors must be aware of this and be prepared to either accept the premium increases to come or seek yet another move.

Most advisors will not be in a hurry to move any plan unless there is a valid reason. The incumbent carrier will no doubt express willingness to solve any service issues in order to retain the business and seek to forge a working alliance with the new agent hoping to secure any additional new growth opportunities they may bring.

Change is the only guaranteed constant in the universe, along with death and taxes. Ill-considered change is fraught with risk and likely downside. When facing the prospect of change, sponsors should slow down, ask questions and understand their options before granting any written directions they may later regret.

-Bob Carter

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Insurance Solutions for Business and Individuals

"...Most advisors will not be in a hurry to move any plan unless there is a valid reason..."

Can employers improve employee health?

Behaviour change is hard, but targeted health interventions can have a positive impact.

That's the message that David Willows, vice-president, strategic market solutions, with Green Shield Canada, delivered at the Canadian Pension & Benefits Institute's annual Benefit Outlook earlier this week.

Generally, Canadians have an "unrealistic optimism" about their health, Willows noted. He cited a recent study by the Canadian Institute for Health Information, in which nine out of ten Canadians rated their health as good to excellent. Yet the incidence of diabetes has doubled in Canada since 2000, Willows said, and about one-quarter of Canadians are obese. "My message to Canada is, We need to talk."

As the Canadian population ages and lives longer, there will be an increased burden on the healthcare system. According to Green Shield data, the 35- to 65-year-old age group accounts for 70% of drug spend. "We're now controlling our mortality," Willows explained. "So that brings with it some interesting questions and challenges."

Increased drug usage—and the associated cost—is certainly an ongoing challenge for drug plan sponsors. Willows used Green Shield data to identify some of the key drivers of both drug *claims* and drug *costs* within different age bands.

Drivers of drug claims vary with age—ranging from mental health, to biologics, to high blood pressure and cholesterol. However, high-cost claimants are driving the majority of the drug spend. Green Shield data shows that 20% of claimants account for 75% of drug costs.

How can we keep drug costs in check? "Health literacy" will be key going forward, Willows explained. He defines this as access to health information, the ability to communicate needs to healthcare professionals and the ability to follow instructions given by those professionals—meaning that, today, 60% of Canadians are "health-illiterate."

There's also evidence that appropriate interventions at the right time *do* make a difference. Case in point: in conjunction with the Ontario Pharmacists Association,

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Can employers improve employee health?

Green Shield Canada recently conducted a study among patients with hypertension—the No. 1 reason for physician visits.

The control group of the study received standard care: the usual interaction with healthcare professionals and medication. The intervention group, in addition, received a medication review with a pharmacist, education on lifestyle factors (e.g., exercise, nutrition) and medication adherence, and regular blood pressure monitoring.

While both groups showed improvement, controlled blood pressure (i.e., patients finishing the study with their blood pressure under control) was 82% for the intervention group, versus just 26% for the control group.

In some ways, improving your health is simple: remember what your mother told you. Exercise, don't smoke, drink less, and eat fruits and vegetables, Willows added. "You can extend your life and reduce the risk of catastrophic health events by making those changes."

-*Alyssa Hodder*

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